

Bishop's Council Update

There have been four Bishop's Council meetings since Synod last met in February, and another meeting is scheduled for 17th June 2020. The frequency of meetings has increased to enable us to manage the wide ranging and rapid changes that the circumstances of the Coronavirus have necessitated. We have also sought to keep the decision-making process flowing on other key aspects of Bishop's Council business. All meetings have been conducted via Zoom and we are pleased that every member of Council has been able to access and use the technology. At the start of the process, training was offered to anyone unfamiliar with the functionality of Zoom. As a consequence, we are confident from a governance point of view that no one has been excluded and everyone is able to participate fully in these virtual meetings. It is important to note, that attendance has been high with very few apologies received for each meeting.

This paper provides a summary of decisions by category rather than in chronological order to provide the most up to date position.

Routine Business for Bishop's Council as the DBF

Priority was of course given in each meeting to the management of all issues relating to the Coronavirus but at each meeting, other matters of essential Bishop's Council business have also been discussed.

Maternity Policy

It had come to our attention, that our maternity policy in the clergy handbook was a little out of step with other dioceses. After gathering information from other dioceses and discussing that information with our clergy HR consultant, Bishop's Council was asked to review the policy. As we have always sought to treat clergy and lay staff as equally as possible, the policy in the lay staff handbook was reviewed at the same time.

The provision in the Clergy Handbook is now:-

- 39 weeks' full stipend
- Option for 13 weeks unpaid
- Housing continued to be provided throughout.

This is mirrored in the Lay Staff Handbook so the maternity provision is also 39 weeks full pay and option of 13 unpaid. In these circumstances housing provision is not applicable. The change to the lay staff handbook was also considered by our HR Consultants.

Memorandum of Understanding with Council for Social Responsibility

In November Synod heard how the Council for Social Responsibility (CSR) is now fully set up as an independent charity with its own Board which is separate from Bishop's Council (although there are some members of the Board who are also members of the DBF Board). Despite the separation of the governance structures there are still links in terms of collaboration and operational support provided to the CSR by the DBF. These arrangements have worked well for some time but it was felt prudent by both Boards to have an agreement, in the form of a Memorandum of Understanding which outlines the services the DBF will offer to CSR and what support CSR will offer to the DBF as it seeks to promote social justice across the Diocese. This Memorandum is now agreed by both Boards.

Revitalisation of Trusts

A review of all the small diocesan trusts is currently being undertaken to ensure that grants are being made where possible. Some of the trusts have had quite particular restrictions which mean that the income has proved difficult to utilise. We are seeking to address this so that the funds become as active as possible. The Charity Commission also have a group that is tasked to do exactly this and two particular trusts have come to their attention. Bishop Council approved plans to try and revitalise these trusts and made further suggestions which are being explored with the Charity Commission.

Custodian Trustee Matters

Periodically, Bishop's Council are required to make decisions as custodian trustee. These decisions tend to relate to matters where parishes have responsibility for the day to day management of an asset but if they wish to take certain actions, this can only be done with the consent of the Custodian Trustee.

Over the period of time since the last Synod, Bishop's Council has approved the following transactions:-

- a) Sale of 41 South Street, Emsworth. This property has clear restrictions on its use, therefore following sale, the proceeds will be applied to fulfil the terms of the original trust
- b) Sale of 215 Privett Drive, Alverstoke, which will enable the PCC to progress further with their plans for development of their parish centre.

Coronavirus Related Decisions

The Coronavirus has had a significant impact on us all and has touched every aspect of life. The functioning of the DBF has been no different and the subjects needing discussion have been wide ranging. As we moved into 'lockdown' the pace of decision making needed to be rapid. As we move through this next phase of 'relaxation' decision making may not be as fast paced, but it is complex.

Given the nature of the decisions and the speed with which they have been needed, steps were taken at the meeting on 2nd April 2020 to consider how important decisions could be made appropriately while still ensuring good governance. At this meeting, Bishop's Council gave permission for essential and urgent decisions to be taken by an executive team, consisting of the Bishop, Archdeacons, Diocesan Secretary and Deputy Diocesan Secretary. This group could also bring in anyone they deemed appropriate for relevant situations including but not limited to the Dean, Finance Director, Chair of the Finance Committee and Communications Adviser. To ensure that this group remains accountable to Bishop's Council, a regular written update is given to Bishop's Council by Bishop Christopher detailing any decisions made. This is followed up by a further verbal update at each Council meeting at which point there is opportunity for further discussion and any questions.

Budget 2021-2023

At the time the lockdown started, we should have been beginning the process of our Vision and Strategy evenings, which was part of the consultation process for the triennial budget. Unfortunately, the consequences of the virus have meant that the assumptions which were underpinning the triennial budget are no longer valid and the current position is still evolving. These are not circumstances in which it is prudent to commit to a triennial budget. As a consequence, Bishop's Council agreed that we would prepare a one-year budget for 2021 and then review at what point it is appropriate to commit to a triennial cycle, which remains the desired approach.

Current Financial Position

There have been some difficult decisions to make in terms of managing the financial situation.

Our Diocesan budget is a relatively straightforward model in that the single largest area of expenditure relates to clergy costs and it is absolutely right that this is the case. The parish share allocation is set so that it seeks to meet these clergy related costs. Our other income, which broadly comes in the form of grant funding and investment income, covers the rest of our budget expenditure. The second largest element of expense is the lay staff costs. While we have continued to receive our grant income, our investment portfolio has reduced in value (c10%) as a consequence of the Coronavirus which impacts upon our income (we have assumed a 15% reduction in investment income). It is not an appropriate time for us to cash in investments as the loss moving forward would be significant. It is also important to note that a proportion of the investment portfolio is invested in the CCLA property fund, which we currently cannot access in any event; due to the challenges in conducting valuations, CCLA closed the property fund so no transactions can be made in relation to this fund.

From the moment churches and church halls were closed, this has had an impact on parish finances. The extent of that impact has varied across the Diocese. Given the importance of parish share to fund our clergy costs, parishes were asked early on to give an indication as to what parish share they felt they would be able to contribute during April - June 2020. This exercise will be repeated for the next quarter so that we can continue to keep our cashflow projections as accurate as possible.

Cash flow forecasts are refined as more information becomes available, and broad assumptions are being applied to project cash flows to the end of the year. Using the current cash flow projections as a guide, the potential deficits that could arise to the end of 2020 range from £2.0M to £2.6M for the year ending 2020. The current parish share projections include actual receipts to May.

	Annualised 2020: £000's		
	Approved	COVID 19	
	Budget	Optimistic 64%	Pessimistic 55%
Parish Share	5,222	3,319	2,885
Other Income	2,407	1,833	1,690
Total Income	7,629	5,152	4,576
Expenditure	7,856	7,177	7,177
Deficit	(227)	(2,024)	(2,601)

Based on this information:-

- All discretionary spending has ceased in terms of project spending and the budget recast as a consequence. This discretionary spending covers the project and activity costs of the Diocesan Team. Work is being done remotely from home and through virtual meetings which has automatically reduced costs. As restrictions relax, we will be looking at how we conduct business differently in the light of what we have learnt about methods of working during this period of lockdown. This will result in changes to elements of the budget.
- Council agreed to the use of the Furlough Scheme and this has been carefully managed by Heads of Department. As a consequence, approximately half of the team have been on Furlough since April. We are currently reviewing arrangements for July onwards, but the staff team have been informed that we will need to continue to use the Scheme until it ends in October.
- Council took the decision that those on Furlough would only be paid at 80%, i.e., the amount we can reclaim from the government, and that the DBF would not make up the additional 20%. For some staff the rules mean that they receive less than 80% as the scheme is capped

at £2500 per month. There has therefore been significant sacrifice within the lay staff during these challenging times. There have been some roles which for varying reasons could not be subject to the Furlough Scheme, but there are cases where reduced hours have been accepted or voluntary salary sacrifices made.

- Council agreed that the clergy would not be able to receive the 2% cost of living rise on their stipends, which was due to be applied from April 2020. This has been accepted by clergy and I am grateful for the several messages of support received from them.
- Council took the decision to suspend the allowance paid once a year to clergy of the Isle of Wight
- A presumptive pause on recruitment has also been agreed.

This offers a summary of the immediate actions taken to manage the situation. Our parish share projections, however, mean that further steps are necessary to initially reduce, but ultimately eradicate the deficit. As a consequence:-

1. The DBF structures and staffing are being reviewed to determine an appropriate future shape that is sustainable but which will support the growth in depth, impact and number that we seek to enable;
2. Clergy deployment is being looked at across the Diocese and work is underway with Area Deans to begin exploring what parish structures will best support growth across the Diocese while ensuring that clergy numbers are at a level that is financially sustainable based on likely parish share receipts.

This planning for the longer term is essential. However, as outlined at the beginning of this finance discussion, the nature of the largest elements of expenditure mean that changes cannot be made quickly due to the processes involved. As a consequence, Council have been involved in looking at options available to us to manage the immediate cashflow challenge while the structural changes are planned. This has been a significant area of discussion. The first option is grant funding which we expect to be available from the National Church. Full information is due to be available next week but it is expected that this grant funding would be conditional on the kind of structural, mission focussed change we are working on currently. Such funding could prove transformational for us and will be utilised to the fullest extent we are able. The second element is around financing options. Having explored various options, Bishop's Council has approved an application to our bank for a Coronavirus Business Interruption Loan (CBIL) of up to £3m. This is still in the application phase with the bank. The nature of these loans is such that they are interest free for the first year (the government meets the interest). At the end of that first year, the loan can be settled in full or converted into an interest-bearing loan (rate still to be confirmed by the bank). To repay the loan, the DBF would need to look to sell diocesan properties and draw down on investments. The timeframe of the grant scheme from the national church has been brought forward slightly, which is more favourable as it will assist in our further decisions in relation to the CBIL.

Victoria James

Diocesan Secretary